

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 5/23/2014
Date: February 28, 2014

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone:

LEGEND:

B = grant 1
C = grant 2
D = grant 3
E = individual name
f = dollar amount
g= dollar amount
h= dollar amount

UIL:

4945.04-04

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g) (3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures will not be taxable.

Description of your request

You will operate grant-making programs called B, C and D.

The purpose of B is to provide grants to individuals to promote innovative, high quality art projects engaging residents of a specific E community such sculptures, art tours or theater. While the amount of each individual grant may vary, you expect to award on average f dollars total over the course of a three year period.

The purpose of C to award grants to qualified residents promoting innovative digital-based solutions and improving residents' accessibility and interaction with news and information resulting in a better educated citizenry. While the amount of each individual grant may vary, you expect to award up to g dollars in program grants. All individuals

receiving a grant under C will provide an open-source license to you involving any intellectual property developed with grant funds, ensuring that you can widely disseminate the results of the grant.

The purpose of D is to award grants to qualified individuals as part of your program on journalism and media; promoting innovative tools (digital-based solutions) which are at an idea stage and require small levels of financial support and mentorship. D helps entrepreneurs, journalists and tinkerers of all kinds build and test new ideas that push media and journalism forward. While the amount of each individual grant may vary, you expect to award between 20 and 40 grants up to h dollars each. Upon completion of the project, recipients of D must submit a report analyzing: (1) the initial hypothesis or purpose of the grant; (2) how the grantee implemented the project; (3) the outcome of the project and (4) the lessons learned from the implementation. You disseminate these analyses using a variety of methods to improve knowledge in the field.

Award amounts for each program will be determined based on the cost of the proposed activities. Each program will be publicized through your website, in journals, magazines, and newspapers, social-media campaigns, blogging and other on-line initiatives and publically distributed promotional materials. Applicants must submit an on-line application that describes their background, experience, and project idea. After the application period has ended, all applications are reviewed by a panel of local experts as well as your staff. Applicants are judged on the quality of their idea, an evaluation of whether the applicant can execute the idea based on the applicant's prior history in relation to the complexity of the proposed project, and the project's potential impact on the community. Applicants are awarded numerical scores, and reviewed by judges who curate a semi-finalist list based on scores, diversity of discipline, diversity of neighborhoods, and overall quality of the application.

You closely examine the semi-finalists to ensure that there is an appropriate fit between the proposal and each program's objectives, and that the semi-finalists do not include any disqualified persons. You notify semi-finalists of their standing and request a full grant proposal that includes a detailed narrative description of the project, the semi-finalist's qualifications and a budget. You will also conduct detailed interviews with the semi-finalists. As part of the vetting process, you try to determine whether the semi-finalists can complete the project as proposed and in some cases, will work with the semi-finalist to revise the plan in order to improve the likelihood of successful implementation. Following the vetting process, you determine a list of finalists, and your staff will present the projects and associated grant amounts of the finalists to your board of trustees ("board") for approval. Following board approval, finalists are announced publicly.

All scholarship recipients must sign a formal grant agreement detailing the terms of the grant and the activities to be performed; and requiring the recipient to submit annual progress reports over the term of the grant. The application and selection process is objective and nondiscriminatory. Each program is open to all organizations and individuals seeking to develop an art project in the applicable area. Individual applicants

do not need to be U.S. citizens or of a certain age, but if the selected individual is under the age of 18, the award will be made to his or her parents or legal guardian or an organization that agrees to work with the individual. Recipients may not be disqualified persons as defined in Internal Revenue Code Section 4946.

Your selection committee consists of a team of local or field experts who work with your staff to serve as judges along with helping review grant applicants and identify possible candidates for the programs. These local or field experts are selected by you solely based on their technical expertise in the field and their knowledge of the applicants and/or a specific area. At no time will any member or relative of your selection committee, members of your board of directors, officers, substantial contributors or disqualified persons be eligible for an award. If you find any evidence that grant funds have been misused, you will take all reasonable and appropriate steps to recover the funds or to insure the restoration of diverted funds and the dedication of other grant funds held by the grantee to the purposes being financed by the grant. These steps may include legal action unless such action would in all probability not result in the satisfaction of execution on a judgment. If the grantee has not previously diverted grant funds to any use not in furtherance of a purpose specified in the grant, you will withhold further payments on the particular grant until (1) it has received the grantee's assurances that further diversions will not occur, (2) any delinquent reports have been submitted, and (3) it has required the grantee to take extraordinary precautions to prevent future diversions from occurring. If the grantee has previously diverted grant funds, you will withhold further payment until the three conditions of the preceding sentence are met and the diverted funds are in fact recovered or restored. You do not generally renew grants, and you make clear in the grant agreement that there is no commitment for future funding of the project.

You will maintain records that include: (1) Information used to evaluate the qualifications of potential grantees; (2) Identification of the grantees (including any relationship of any grantee to you), the amount and purpose of each grant; and (3) All grantee reports and other follow-up data obtained in administering B, C and D.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
 - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or

- To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c) (1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations